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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/07/08

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 6

NIKKEI (Page 2) (Full)
March 7, 2008

08:57

Entered the Upper House First Committee Room in the Diet Building.

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09:50

Met Lower House member Taro Nakayama at the Kantei.

10:46

Met Chief Cabinet Secretary Machimura.

11:25

Met Public Security Investigation Agency Director General Yanagi.
Followed by former Finance Minister Omi.

12:09

Met Machimura.

13:49

Met METI Vice Minister Kitabata and Resources and Energy Agency
Director General Mochizuki.

14:25

Met Machimura. Followed by Lower House Antiterrorism Special
Committee Chairman Fukaya.

15:17

Met International Cooperation Fund President Kazuo Ogura. Later, met
New Komeito President Ota and others.

16:34

Met Cabinet Intelligence Director Mitani.

17:03

Cabinet Special Advisor Nishimura and Forestry Agency Director
General Ide. Attended a meeting of the Overseas Economic Cooperation
Conference.

18:13

Met Keidanren Chairman Mitarai and Vice Chairman Kusakari, and
Economic and Fiscal Policy Minister Ota. Joined by Machimura. Later
met Special Advisor Ito.

19:26

Met Deputy Chief Cabinet Secretary Futahashi.

20:07

Returned to his official residence.

4) Some ruling members exploring ways to normalize Diet business

MAINICHI (Page 5) (Abridged slightly)
March 7, 2008

The Democratic Party of Japan and Social Democratic Party again
boycotted yesterday's session of the House of Councillors Budget
Committee, forcing the committee to cancel deliberations for the
third consecutive day. The ruling bloc independently convened a
directors' meeting yesterday, and Chairman Yoshitada Konoike decided

in his capacity to open a session on March 7. The confrontation between the ruling and opposition camps has been underway since the Lower House's approval of the fiscal 2008 budget on February 29. Concerned about public criticism, some in the two sides have begun looking for ways to normalize Diet business.

"It's foolish, so we should stop it," Konoike described the ruling coalition's strategy of keep convening sessions before the press

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corps yesterday morning.

DPJ Deputy President Naoto Kan, too, yesterday criticized the three days of sessions held in the chairman's capacity, saying, "The LDP's strategy of rattling the opposition camp in an effort to break the impasse won't work." Kan, however, did not go any further, apparently in a bid to avoid adding fuel to the confrontation.

Meanwhile, Japanese Communist Party Diet Affairs Committee Chairman Keiji Kokuta held a meeting with his LDP counterpart, Tadamori Oshima, last evening in the Diet building and requested talks between the two camps for resuming deliberations. People's New Party Diet affairs chief Masaaki Itokawa, too, conveyed a similar view to Oshima on the phone. With such a war-averting mood in the backdrop, the view has cropped up in the Upper House LDP calling for a reversal in the traditional hostile approach to the opposition bloc's boycott strategy. There is growing momentum in the ruling bloc to create a mood for holding talks with the opposition camp by, for instance, calling off the March 7 committee meeting.

5) Government to nominate Muto as BOJ governor today: Coordination underway with selection of Shirakawa as his deputy

ASAHI (Top Play) (Excerpts)
March 7, 2008

The government yesterday decided to nominate Toshiro Muto as a successor to incumbent Bank of Japan (BOJ) Governor Toshihiko Fukui, whose term expires on March 19, at a joint meeting of representatives of the Lower and Upper Houses to be held today. Coordination is also underway with the possibility of picking Masaaki Shirakawa, former BOJ director and a Kyoto University Graduate School professor, to fill one of the two deputy governors' posts. The Democratic Party of Japan (DPJ or Minshuto) is determined to disagree with the promotion of Muto, former administrative vice financial minister, based on the notion of separation between fiscal and monetary policies. The prime minister intends to seek understanding from the opposition camp with possible party head talks with DPJ President Ozawa in mind.

The government will present its nominations for the new governor and two new deputy governors at the joint meeting of both chambers of the Diet slated for 1:00 p.m. today and a meeting of directors of the Committees on Rules and Administration of the Lower and Upper Houses to be followed. After determining what action the DPJ will take until the very last minute, Prime Minister Fukuda will finally fix three candidates and submit their names to the Diet.

Prime Minister Fukuda yesterday evening told reporters at the Prime Minister's Office (Kantei), "Please leave the selection of BOJ governors to my care." Regarding the notion of separation of fiscal and monetary administration as sought by the DPJ, Fukuda indicated his perception that there will be no problem for a former Finance Ministry official to serve as BOJ governor. He said: "It depends on the person, regardless of where he comes from. The point is whether that person can fulfill his responsibility."

The prime minister also stated, "It is unforgivable to allow the post to become vacant even for a day." He continued, saying that it would be natural to willingly seek talks with the DPJ head, if necessary. He thus clarified his stance of being prepared to hold party head talks with Ozawa.

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The DPJ is determined to oppose the promotion of Muto, with a senior official noting, "If we agree on the selection of Muto, the public would see that we have tacitly cooperated with the government." The government and the ruling parties appear to see that amid the global financial market becoming unstable reeling from the U.S. subprime loan mortgage crisis and other issues, Muto with a proven track record of having supported Governor Fukui as his deputy over the past five years is appropriate as the central command for Japan's monetary policy.

6) Government to submit plan on selection of new BOJ governor today, but DPJ opposed to promotion of Muto

YOMIURI (Page 2) (Excerpts)
March 7, 2007

The government will submit to the Diet today its plan on appointments for a new governor and two new deputy governors of the Bank of Japan (BOJ). A focal point is what response the Democratic Party of Japan (DPJ) will make to the plan. The government will propose promoting BOJ Deputy Governor Toshiro Muto to the governorship. But in the DPJ, which controls the House of Councillors, there is strong opposition to Muto's promotion. Because its rejection would create a vacancy in the post of BOJ governor, the DPJ is being hard pressed to make a difficult decision.

DPJ Secretary General Hatoyama indicated in a speech yesterday that his party would make a decision, focusing on whether the policy of separating fiscal and financial policies is maintained. He said: "Our focus is on whether a nominee takes a stance of distancing himself from the Liberal Democratic Party and the Finance Minister."

Upper House Chairman Azuma Koshiishi told a press conference: "There will be no problem if the government picks a person whom (the DPJ) can accept."

Such negative responses by the DPJ executive members reflect strong objections in the party to the proposed promotion of Muto. A party executive member commented: "Although we were going to unify views and support the appointment of Muto, the ruling camp's way of passing the budget bill for FY2008 in the House of Representatives in the absence of the opposition bloc discouraged us. There will be no merit for us even if we make efforts to unify internal party views."

However, once the government presents its plan, "the DPJ will have to be ready to be criticized for refusing it," a mid-ranking official said. Koshiishi emphasized: "The government should have presented the plan earlier. We are not to blame." But in such a case, the DPJ will inevitably come under fire from the ruling parties and others.

7) Vacancy in BOJ governor's post may adversely affect market and diplomacy

ASAHI (Page 4) (Excerpts)
March 7, 2008

The government has decided to submit to the Diet today a plan to promote Bank of Japan Deputy Governor Toshiro Muto, 64, to succeed

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incumbent Governor Toshihiko Fukui, 72, whose term expires on March 19. The Democratic Party of Japan, the largest party in the House of Councillors, however, remains opposed to promoting Muto, a former vice finance minister, citing the rule of separating financial policy from monetary policy. Some began to voice concern that the post of BOJ governor would become vacant due to a lack of Diet approval.

In determining the new BOJ governor and deputy governors, the government will: (1) first present at 1:00 p.m. March 7 its nominations to the six-member council of representatives of two chambers of the Diet including the LDP and DPJ chairmen of the rules

and administration committees of the two chambers, and (2) officially present its nominations to a meeting of the directors of the rules and administration committees of the two chambers that will immediately follow the previous meeting.

On March 11, the nominated governor, along with the two nominated deputy governors, will present their views before the rules and administration committee in each chamber. This will be followed by a closed-door question-and-answer session. The two chambers are expected to convene plenary sessions later next week to determine whether to approve the presented plan.

In the event the personnel plan is disapproved by the opposition-controlled Upper House, the government will have to present a new plan. In such a case, the government basically comes up with a new lineup. There is the view in the LDP though that even if Muto fails to obtain Diet approval, the government should resubmit the list of nominees, as is.

With the deadline just around the corner, a vacancy in the BOJ governorship is becoming a real possibility. Under the Bank of Japan Law, when the post of governor is vacant, the deputy governors are required to perform duties in place of the governor. Nevertheless, chances are slim that the Diet will approve the deputy governor nominees alone without the one for the governorship. In such a case, the acting BOJ governor must be selected from among the six executive directors, though the procedures for that are not specified in the law.

A vacancy might adversely affect the market, resulting in, for instance, a plunge in stock prices. Mitsui Sumitomo Asset Management chief economist Akiyoshi Takumori said, "Some people are already beginning to regard a possible vacancy as a bearish factor."

The G7 meeting of finance ministers and central governors will take place in Washington in mid-April. The government and ruling coalition fear that "Japan's absence from international conferences would end up sending the bad message to the international community," as LDP Policy Research Council Chairman Sadakazu Tanigaki put it.

Meanwhile, the DPJ says that the government is to blame for any vacancy.

8) LDP Secretary General Ibuki: Compromise needed on road issue

ASAHI (Page 4) (Full)
March 7, 2008

Referring to the confrontation between the ruling and opposition

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parties over the issue of road construction revenues special measures legislation stipulating an extension of the provisional tax for gasoline, Liberal Democratic Party Secretary General Bunmei Ibuki last night said at a meeting in Tokyo: "Substantial compromise is necessary." The LDP secretary general made his position clear that he would launch discussion on a revision of the government-drafted bill, including a mid-term road construction and repair program to which the government plans to spend up to 59 trillion yen, as well as the extension of the provisional tax rates. This was revealed by a senior member of the Tsushima faction, who had dinner with Ibuki. Ibuki was quoted as saying:

"The mediation effort by the leaders of the two Diet houses (in late January) should be taken in a serious manner. I think it would be difficult to resume Diet deliberations as long as the (government and ruling parties) continue to remain entrenched in their arguments."

In response, Yuji Tsushima, chairman of the Tsushima faction, was quoted as saying: "Without substantial compromises, this difficult situation will not be overcome."

9) DPJ's Hatoyama indicates possible snap election after G-8 Summit, defines establishment of suprapartisan group "Sentaku" as a show

Delivering a speech in Tokyo yesterday, Democratic Party of Japan (DPJ) Secretary General Yukio Hatoyama predicted that the House of Representatives would be dissolved after the Lake Toya Summit in Hokkaido in early July, saying: "Dissolution just after the G-8 Summit is considered to be the likely timing."

Hatoyama said: "Regarding the dissolution of the Lower House, the sooner, the better." On the reason why he cited immediately after the summit as the timing for a snap election, he explained:

"If Prime Minister Fukuda continues to stay in power, discussion would be conducted on the consumption tax in September and October. His administration would raise the consumption tax next April to use the revenues to finance basic pension payments. The freeze of the medical system for very old patients will be lifted around this October. . . . Even if dissolution is delayed, we will not be disadvantaged."

In reference to the formation of the suprapartisan parliamentary group "Sentaku," which has been joined by 107 legislators, Hatoyama said: "Reorganizing the political world before the public is a show. They are already doing something akin to an advertising campaign before political realignment has started."

In connection with his assumption of the post of advisor to the nonpartisan parliamentary group on revisions to the Constitution, headed by former Prime Minister Yasuhiro Nakasone, Hatoyama remarked:

"The task of revising the Constitution has become a dead issue under the Fukuda cabinet. We are not necessarily moving eagerly to set rules for establishing a Constitution screening panel (in the Diet)."

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10) Gov't mulls SDF dispatch to Sudan, other countries for PKO

NIKKEI (Page 2) (Abridged)
March 7, 2008

The government is planning to send the Self-Defense Forces to the southern part of the Sudan and some other overseas locations for participation in United Nations peacekeeping operations. The prime minister's office and the Foreign Ministry invited high-ranking officials from the Sudan to hear about the local situation. However, the Defense Ministry is still cautious about the idea of sending SDF members to that country. As it stands, the government will need to coordinate its SDF dispatch plans.

Foreign Minister Masahiko Koumura met with Sudanese Presidential Assistant Nafi yesterday at the Foreign Ministry's Iikura guesthouse in Tokyo and exchanged views on the security situation in Darfur, a disputed area in the Sudan's western part. Koumura said he was thinking about what to do about sending SDF personnel to the United Nations Mission in Sudan (UNMIS), a PKO unit in the southern part of the Sudan. Nafi expressed hopes for Japan's contribution.

The UNMIS has now surfaced as a likely candidate in the government. Japan will host the Tokyo International Conference on African Development (TICAD) in May and the Group of Eight (G-8) summit in July. In these two events, Africa aid will be a main agenda item. The government is expecting that Japan, if it can send SDF members to the UNMIS before these two conferences, can make an appeal to the world on Japan's international contribution as part of Prime Minister Fukuda's "peace-cooperating nation" initiative.

Meanwhile, the Defense Ministry remains cautious about sending SDF personnel for PKO missions in Africa. "The Ministry of Defense has no plans at this point to send the SDF to the Sudan," Administrative Vice Defense Minister Kohei Masuda stressed in a press conference yesterday. The Sudan is reportedly unstable, so the Defense Ministry

wants to watch the local security situation.

In addition to the Sudan, the government is also looking into the feasibility of sending SDF personnel to East Timor and reinforcing an SDF detachment that is currently on a PKO mission in the Golan Heights in the Middle East. The prime minister's office and the Foreign Ministry are hurrying to work out SDF dispatch plans. However, the Defense Ministry is reportedly malfunctioning in the aftermath of a recent collision between a Maritime Self-Defense Force Aegis ship and a fishing boat. "The Defense Ministry is not coolheaded enough to consider this matter," a Foreign Ministry source said. The government's internal coordination is facing rough going.

Japan's current PKO participation

Area/country Outline

United Nations Mission in Nepal (UNMIN) Nepal 6 SDF members for military surveillance

(The current SDF dispatch is to end at the end of March. The government is planning to extend it until the end of September.)

United Nations Disengagement Observer Force (UNDOF) Golan Heights 45 SDF members for logistics

(The government is looking into the possibility of reinforcing the unit.)

Japan's options for future PKO participation

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United Nations Mission in Sudan (UNMIS) Sudan The government is looking into the possibility of posting SDF members to UNMIS headquarters.

United Nations Integrated Mission in Timor-Leste (UNMIT) East Timor The government is looking into the possibility of sending personnel from the Japan Coast Guard, etc.

United Nations Truce Supervision Organization (UNTSO) Syria, Lebanon, Israel, Egypt The government is looking into the possibility of sending SDF members to UNTSO headquarters

11) Government to forgive 3.2 billion yen of Sudan's debt

ASAHI (Page 4) (Full)
March 7, 2008

Foreign Minister Masahiko Koumura, meeting yesterday with Sudan's Presidential Assistant Narfa, told him that Tokyo would forgive 3.2 billion yen of Sudan's 45 billion yen in debt with Japan. The aim is to play up Tokyo's effort to deal with the Africa problem.

The Japanese government has suspended yen loans to Sudan since 1983 for the reason of the civil conflict and the country being in arrears in its debt repayment. The government will implement its plan on the condition that Sudan will make efforts to bring about peace to the country by resolving the Darfur issue.

Koumura requested Narfa: "Your government needs to work on the anti-government force to get them to sit at the negotiation table" on the Darfur issue.

12) Defense Ministry to review press conferences

NIKKEI (Page 2) (Abridged)
March 7, 2008

Vice Defense Minister Kohei Masuda, meeting the press yesterday, indicated that the Defense Ministry would review its press conferences due to its confused briefing over the recent collision between an Aegis destroyer of the Maritime Self-Defense Force and a fishing boat that has left its two crewmen missing. The Defense Ministry will consider reducing the number of senior officials attending press conferences or consider reducing the number of press conferences. The Defense Ministry has cited its plan to unify information as a reason. However, the Defense Ministry's plan to reduce the number of press conferences will likely be called into question from the perspective of fulfilling public accountability. At present, the Defense Ministry's seven senior officials-the defense minister, administrative vice minister, press secretary,

Joint Staff Office chief, Ground Self-Defense Force chief of staff, Maritime Self-Defense Force chief of staff, and Air Self-Defense Force chief of staff-regularly meet the press.

13) Japan-U.S. Sea Power Dialogue discusses response to Chinese forces

YOMIURI (Page 2) (Slightly abridged)
March 7, 2008

Shin Nagahara, Washington

The Japan-United States Sea Power Dialogue, a symposium to explore ways for Japan and the U.S. to work together to deal with maritime

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issues, ended its first day session on the evening of March 5 (morning of March 6, Japan time). In the session, participants discussed how to strengthen the Japan-U.S. alliance and how to respond to China's increased naval power. The symposium will last for three days in Washington.

In the discussion, responding to the question of the possibility that China would expand (its naval power) into the high seas of the Indian Ocean in the future, Michael Green, former senior director for Asian affairs at the National Security Council (NSC), said, "Concerns about such are mounting in Japan and India." He went on to say, "We need to consider ways to cooperate with the Chinese Navy." He also suggested that in order to avoid causing any unnecessary disputes at sea, it will be essential for Japan and the U.S. to conclude a pact on prevention of maritime accidents and search/rescue in the event of accidents.

Former Japanese Ambassador to the U.S. Shunji Yanai chairs the Council on Rebuilding the Legal Basis for Security, a government-sponsored panel to discuss the question of the right to collective self-defense right in the government. Bearing in mind the restrictions currently imposed on the Maritime Self-Defense Force's (MSDF) missile defense cooperation, Yanai pointed out: "Japan needs to review the current interpretation of the Constitution's Article 9 (related to the right to collective self-defense). Amending the article is essential so that missile defense cooperation will work adequately and effectively."

14) Yamasaki would not visit N. Korea if no results expected

SANKEI (Page 5) (Full)
March 7, 2008

Taku Yamasaki, former vice president of the ruling Liberal Democratic Party, said during the taping yesterday of a commercial TV program that he would not visit North Korea if he could not expect any results. Yamasaki is planning to visit North Korea with a nonpartisan group of lawmakers. Meanwhile, former Prime Minister Junichiro Koizumi is rumored to be considering a visit to North Korea. "Mr. Koizumi has a strong interest and desire to normalize diplomatic relations between Japan and North Korea," Yamasaki said. "But for now," he added, "I think he is placing his hopes on Prime Minister Yasuo Fukuda to take a positive stance and carry out action." With this, Yamasaki ruled out the possibility of a Koizumi visit to North Korea.

15) Possible Sea Shepherd activists trespass on Japanese embassy's premises in London

YOMIURI (Page 2) (Full)
March 7, 2008

St. Ives, Keiichi Honma

On the morning of March 6 (evening of that day, Japan time), two male and female activists believed to be associated with Sea Shepherd, an American environment protection group opposing Japan's research whaling, trespassed on the Japanese embassy's premises and filed a protest with Japan. This protest was apparently made with an eye on the ongoing midterm conference of the International Whaling

Commission (IWC), which kicked off in London the same day.

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According to embassy officials, the male activist (50) bound himself to a balcony of the embassy and brandished a banner reading "Japan should stop illegal whaling." The man apparently scrambled up the outer wall of the embassy. Embassy officials told the man to leave the premises but he would not. He was taken away by police officers who rushed to the spot.

Afterwards, a female activist cried against whaling at the entrance of the embassy but she went away soon after the embassy's guards told her to leave.

16) IWC interim meeting starts in order to resolve confrontation; Research whaling likely to be discussed, as well

TOKYO SHIMBUN (Page 3) (Full)
March 7, 2008

Daisuke Okayasu, London

A three-day interim meeting of the International Whaling Commission (IWC) began in London yesterday in an effort to bring to normalize the organization, which has ceased to function properly because of the conflicting views between pro-whaling and anti-whaling countries. The purpose of the conference is to exchange frank views behind closed doors ahead of the 60th annual IWC general meeting and to explore ways to break the stalemate.

Some 40 countries are participating in the meeting. While criticism of Japan's research whaling is on the rise, Japan is expected to bring up a U.S. environmental protection group's acts obstructing Japan's research whaling.

Yesterday morning, a man opposing whaling intruded into the Japanese Embassy in London and climbed onto the balcony. He was later arrested by the police.

17) Prime Minister Fukuda asks JBF chairman for employee pay raises

ASAHI (Page 4) (Full)
March 7, 2008

As this year's annual spring labor-management negotiations reach a final stage, Prime Minister Yasuo Fukuda yesterday invited Business Federation Chairman Fujio Mitarai and other business leaders to his office (Kantei) and requested them to cooperate with him on a plan to increase wages. It is extremely unusual for a prime minister to directly ask the management side for employee wage hikes. Mitarai said: "I felt fully the prime minister's sense of alarm." Therefore, Fukuda's move will likely affect the spring negotiations.

Fukuda told Mitarai: "I want you to do your best (so that companies will make efforts to raise wages)." The Cabinet e-mail magazine yesterday noted: "Corporations and households are the two axles of the same vehicle. Business circles must consider the need for pay increases." The prime minister appears to be trying to lead to regaining his popularity by showing his stance of giving priority to improving the daily lives of the people.

The e-magazine went:

"There would be no problem if wages are increased more than the levels of price hikes. However, the average level of wages has

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remained nearly unchanged for the ninth consecutive year or has even been on the decline. So the burden on the people's lives has become increasingly heavy."

Noting that major companies have earned record high profits as a result of structural reform, the mail magazine stated: "It is time

for the firms' profits to be shared with the public and households in the form of pay raises."

After his meeting with the prime minister, Mitarai as top leader of the business community showed a stance of going along with pay raises, saying: "I want companies that have reserve capacities to give consideration (to Fukuda's request) as much as possible." However, he indicated there would be differences in pay raises based on the company.

Japan Trade Union Confederation (Rengo) Chairman Tsuyoshi Takagi welcomed (Fukuda's move), saying: "We are grateful." But he added: "I wonder whether business managers will listen to the prime minister's request."

SCHIEFFER